

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS INDEPENDENT TELEPHONE)	
ASSOCIATION)	
)	
Petition for initiation of an investigation of)	Docket No. 00-0233
the necessity of and the establishment of a)	
Universal Service Support Fund in accordance)	
with §13-301(d) of the Public Utilities Act)	
)	
Illinois Commerce Commission On Its Own)	
)	
Investigation into the necessity of and, if)	Docket No. 00-0335
appropriate, the establishment of a Universal)	
Support Fund pursuant to Section13-301(d))	
of the Public Utilities Act.)	

DIRECT TESTIMONY
OF
GORDON J. KRAUT, JR.
ON BEHALF OF
ONEIDA TELEPHONE EXCHANGE

April 20, 2001

1 **Q. Please state your name and business address.**

2 A. My name is Gordon J. Kraut, Jr. and my business address is 3220 Pleasant Run,
3 Springfield, Illinois 62707.

4 **Q. By whom are you employed?**

5 A. I am the consulting manager with GVNW Consulting, Inc. GVNW Consulting, Inc.'s
6 principal business is telecommunications consulting for small independent telephone
7 companies and we have provided consulting services to Oneida Telephone Exchange
8 for several years.

9 **Q. Please describe your educational background.**

10 A. I graduated from Edgewood College in May of 1988 with a Bachelor of Science
11 Degree in business with an emphasis in accounting. I earned a master's in business
12 administration from Edgewood College in 1991.

13 **Q. Please provide your background in telecommunications.**

14 A. In 1988 I began my telecommunications career with TDS, Inc. as an internal auditor.
15 In 1993 I was promoted to Senior Internal Auditor and in 1994 I was promoted to
16 Associate Manager of Accounting in TDS Telcom. Early in 1996 I was promoted to
17 the position of Manager of Revenue and Earnings in the Government and Regulatory
18 Affairs Group. I joined GVNW, Inc. on October 20, 1997 and in my current position
19 I consult with independent telephone companies and provide financial analysis and
20 management advice in the areas of concern to these companies.

21 **Q. On what company's behalf is this testimony submitted?**

22 A. This testimony is submitted on behalf of Oneida Telephone Exchange.

1 **Q. Have you prepared the Illinois Universal Service funding calculations for Oneida**
2 **Telephone Exchange using the format agreed to by the Staff and the IITA?**

3 A. Yes, I have. It is attached as Oneida Telephone Exchange Exhibit 1, Schedule 1.01
4 and consists of 3 pages.

5 **Q. Did you complete Oneida Telephone Exchange Exhibit 1, Schedule 1.01 in**
6 **accordance with the instructions and based on Oneida Telephone Exchange's**
7 **ICC Form 23A or other information filed with the Commission for the year**
8 **ended December 31, 2000?**

9 A. Oneida Telephone Exchange is a cooperative and, as such, is not required to file ICC
10 form 23A with the Commission. However Oneida Telephone Exchange Exhibit 1,
11 Schedule 1.01, was prepared from Oneida's trial balance for the year ended December
12 31, 2000, prepared by the company's accounting firm.

13 **Q. Were these entries on Exhibit 1, Schedule 1.01 taken from books and records**
14 **kept by the company in the normal course of its business and recorded at the**
15 **time of the event?**

16 A. Yes.

17 **Q. Is Oneida Telephone Exchange Exhibit 1, Schedule 1.01 true and correct to the**
18 **best of your knowledge, information and belief?**

19 A. Yes it is.

20 **Q. Based on the responses and content of Oneida Telephone Exchange Exhibit 1,**
21 **Schedule 1.01, has Oneida Telephone Exchange provided Staff with certain**
22 **additional documents?**

1 A. Yes. I have provided the Staff with a copy of Oneida Telephone Exchange's
2 December 31, 2000, Trial Balance which we have requested be treated as
3 confidential.

4 **Q. Have you provided the requisite information from Oneida Telephone Exchange**
5 **Exhibit 1, Schedule 1.01 to Mr. Schoonmaker for his use in compiling the**
6 **composite results for all companies seeking funding in connection with his**
7 **testimony?**

8 A. Yes, I have.

9 **Q. Does page 1 of Oneida Telephone Exchange Exhibit 1, Schedule 1.01 reflect any**
10 **adjustments being proposed by Oneida Telephone Exchange?**

11 A. Yes, a non-standard adjustment was made to line 8 reducing the depreciation expense
12 by \$48,396 and reflecting that total in line 9.

13 **Q. Why did you adjust the operating expense by \$48,396?**

14 A. These related to cable TV and customer premise equipment items. As shown on
15 Oneida's trial balance in the 6560 accounts, there are three subaccounts, 7991.021
16 (customer premise depreciation), 7991.060 (cable TV head end depreciation), and
17 7991.070 (cable TV fiber depreciation) that are all for non-regulated activities. These
18 items total \$48,396 and have been excluded for earnings purposes.

19 **Q. Did you make any further standard adjustments?**

20 A. Yes. I have made one (1) standard adjustment on Oneida Telephone Exchange
21 Exhibit 1, Schedule 1.01 on line 14, total operating revenues. The adjustment that
22 was made is for a true up in an out-of-period Carrier Common Line (CCL) Revenues

1 that Oneida recorded in 2000 financial statements. This is listed as standard
2 adjustment #3 in Bob Schoonmaker's testimony for out-of-period adjustments. This
3 adjustment removes \$3,768 out-of-period revenue booked in 2000 and can be found
4 in account number 5082.200, NECA Prior Period CCL. All adjustments are
5 summarized in Schedule 1.02.

6 **Q. Based on the format agreed to by the Staff and the IITA, what was Oneida**
7 **Telephone Exchange's rate of return for the calendar year 2000?**

8 A. Negative 2½%.

9 **Q. Does Oneida Telephone Exchange concur with Mr. Schoonmaker's**
10 **recommendation that its affordable rate be established at the current weighted**
11 **average rate for residential and business service?**

12 A. Yes.

13 **Q. Does that conclude your direct testimony on behalf of Oneida Telephone**
14 **Exchange?**

15 A. Yes it does.

16